



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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October 20, 2006

TO: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley *[Signature]*  
Auditor-Controller

SUBJECT: **VERDUGO MENTAL HEALTH CENTER CONTRACT COMPLIANCE  
REVIEW – MENTAL HEALTH SERVICE PROVIDER**

We have completed a contract compliance review of Verdugo Mental Health Center (Verdugo or Agency) a Department of Mental Health (DMH) service provider.

**Background**

DMH contracts with Verdugo, a private, non-profit, community-based organization, which provides services to clients in Service Planning Area 2. Services include interviewing program participants, assessing their mental health needs, and developing and implementing a treatment plan.

Our review focused on approved Medi-Cal billings where at least 35% of the total service cost was paid using County General Funds. The Agency's headquarters is located in the Fifth District.

DMH paid Verdugo between \$1.89 and \$4.53 per minute of staff time (\$113.40 to \$271.80 per hour). DMH contracted with Verdugo to provide approximately \$4.6 million in services for Fiscal Year 2005-06.

**Purpose/Methodology**

The purpose of the review was to determine whether Verdugo provided the services outlined in their contract with the County. We also evaluated whether the Agency achieved planned service levels. Our monitoring visit included a review of a sample of

*"To Enrich Lives Through Effective and Caring Service"*

Verdugo's billings, participant charts, and personnel and payroll records. We also interviewed staff from Verdugo and interviewed a sample of participants or their parent/guardian if the participant is a minor.

### **Results of Review**

Overall, Verdugo provided the services outlined in the County contract. The Agency used qualified staff to perform the services billed and maintained documentation to support the billings sampled. The participants interviewed stated that the services they received met their expectations.

Verdugo did not sufficiently document billings for 533 (13%) of the 4,185 minutes sampled. For example, the Agency billed 353 minutes in which more than one staff was present during an intervention but the Progress Notes did not describe the specific contribution of each staff person. In addition, the Agency did not detect 591 minutes in which DMH processed the same billings twice. The total amount over paid was \$1,700.

We have attached the details of our review, along with recommendations for corrective action.

### **Review of Report**

We discussed the results of our review with Verdugo on September 6, 2006. In their attached response, the agency generally agreed with the results of our review and described their corrective actions to address the findings and recommendations contained in the report.

We thank Verdugo management for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Lynn Brandstater, Chief Executive Officer, Verdugo Mental Health Center  
Public Information Office  
Audit Committee

**COUNTYWIDE CONTRACT MONITORING REVIEW  
FISCAL YEAR 2005-2006  
VERDUGO MENTAL HEALTH CENTER**

**BILLED SERVICES**

**Objective**

Determine whether Verdugo Mental Health Center (Verdugo or Agency) provided the services billed in accordance with their contract with Department of Mental Health (DMH).

**Verification**

We judgmentally selected 4,185 minutes from 111,195 service minutes of approved Medi-Cal billings to DMH where at least 35% of the total service cost was paid using County General Funds. We reviewed the Progress Notes, Assessments, and Client Care Plans maintained in the clients' chart for the selected billings. The 4,185 minutes represent services provided to 38 program participants. We also reconciled an additional 1,209 minutes to the clients' charts. The additional minutes related to multiple billings for the same client for the same services on the same day.

Although we started our review in May 2006, the most current billing information available from DMH's billing system was November and December 2005.

**Results**

Verdugo did not sufficiently document billings for 533 (13%) of the 4,185 minutes sampled in compliance with the County contract. Specifically:

- The Agency billed 353 minutes in which more than one staff was present during an intervention but the Progress Notes did not describe the specific contribution of each staff person.
- The Agency billed 180 minutes for Mental Health Services in which the Progress Notes did not describe what the client or service staff attempted and/or accomplished towards the client's goals.
- The Agency billed 253 for multiple staff but the Progress Notes did not contain the name and duration of service for each additional staff.

The total number of insufficiently documented minutes cited above exceeded the number of insufficiently documented minutes reviewed because some of the Progress Notes contained more than one deficiency.

Verdugo over billed DMH 80 minutes for services provided to a group in which the Agency did not allocate the service minutes between all the participants identified in the Progress Notes. The amount over paid totaled \$195.

In addition, the Agency did not maintain effective controls to detect billing discrepancies. Specifically, Verdugo did not detect 591 minutes in which DMH processed the same minutes twice. The amount over paid totaled \$1,505.

### Client Care Plans

Verdugo did not include observable and/or quantifiable goals in the Client Care Plans for four (19%) of 38 participants sampled. The Client Care Plan establishes goals and interventions to address the mental health issues identified in the client's Assessment.

### Recommendations

#### **Verdugo management:**

1. **Maintain sufficient documentation to comply with contract requirements for the services billed to DMH.**
2. **Enhance controls to detect and correct billing errors.**
3. **Repay DMH \$1,700 for the amounts over paid.**
4. **Ensure that Client Care Plans contain specific and quantifiable goals.**

### CLIENT VERIFICATION

#### Objectives

Determine whether the program participants received the services that Verdugo billed DMH.

#### Verification

We interviewed eight clients to confirm that they were participants of the Verdugo and that they received the services that the Agency billed DMH.

#### Results

The program participants interviewed stated that they received services from the Agency and that the services met their expectations.

**Recommendation**

There are no recommendations for this section.

**STAFFING LEVELS****Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency does not provide services that require staffing ratios for this particular funding program.

**STAFFING QUALIFICATIONS****Objective**

Determine whether Verdugo treatment staff possessed the required qualifications to provide the services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 23 of 97 Verdugo treatment staff for documentation to support their qualifications.

**Results**

Overall, Verdugo's employees possessed the qualifications required to deliver the services billed.

**Recommendation**

There are no recommendations for this section.

**SERVICE LEVELS****Objective**

Determine whether Verdugo's reported service levels varied significantly from the service levels identified in the DMH contract.

**Verification**

We reviewed Verdugo's Fiscal Year (FY) 2004-05 Cost Report and compared the dollar amount and billed units of service to the contracted units of service identified in the contract for the same period.

**Results**

The Agency did not vary from its contracted service levels.

**Recommendation**

There are no recommendations for this section.

V E R D U G O  
M E N T A L  
H E A L T H

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October 5, 2006

J. Tyler McCauley, Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-2766

RE: Agency Response to Auditor-Controller Report on Compliance Review

Dear Mr. McCauley,

We have received and reviewed your written feedback regarding your recent contract compliance review of our agency. We want to thank you and your staff for the professional and courteous manner in which the review was conducted, and for providing us with valuable feedback and information pertaining to our operations.

We are very pleased that the review substantiated the services provided in our contract, our use of qualified staff, and that our services met our participants' expectations. Overall, the review also supported our system and approach to documentation in support of the billings sampled. Below are our responses to the exceptions uncovered and to your specific recommendations.

Billed Services- Documentation Standards (Recommendations 1 and 4)

- Verdugo Mental Health aspires to maintain 100% compliance with DMH documentation policies and standards. The agency provides ongoing training to clinical staff and has additional checks (such as supervisory review and Quality Management) to insure that documentation is accurate. We continually strive to improve and make every effort to develop and refine our practices.
- The specific finding of unsubstantiated contributions in multi-staff interventions is, we believe, an anomaly that represents only a small percentage of all notes written. However, it does suggest that additional staff (and supervisor) training is needed to address this issue if we are to meet our compliance goals. Trainings will be revised to emphasize the importance of each staff's contribution during a clinical interaction.
- The auditors also identified the need for Client Care Plans to contain *specific and quantifiable goals*. Although this has been addressed as a specific training topic for interns every year, the finding suggests that additional training is needed for all clinical staff. In addition, we will also address this issue in our Quality Management meetings and make it a priority during our internal reviews.



Billed Services – Billing Discrepancies (Recommendations 2 and 3)

- The review uncovered an 80 minute discrepancy for group services provided where service minutes were not allocated appropriately between participants in the progress note. In response, our group notes have gone through a number of revisions to accommodate successive IS group module billing changes since the MIS/IS switch. The findings uncovered an isolated period of transition in which a format (deficient) was briefly adopted – it was subsequently changed to eliminate the error. This documentation “format” error had been corrected prior to the audit, but was reflected in some prior billings. We would like to emphasize the billing discrepancy does not mitigate the integrity of client therapy or each therapist’s contribution to treatment.
- The review also indicated that *the agency did not have effective controls to detect billing discrepancies*, citing 591 minutes that were entered/processed twice. First, we would like to note that Verdugo does in fact have in place effective controls, including a thorough system for managing claims, reviewing and cross-checking IS reports (such as the Void Report).
- Second, with regards to the specific exceptions cited, we believe that our handling of the claims was indeed correct and that we followed IS recommended work practices. We have documentation that shows that our billing clerks took an intermediate action of voiding the first instance of these claims (for errors discovered post entry) and prior to them being resubmitted and paid a second time. It appears that the error occurred due to a “time lag” between when the entries were made and when the error was discovered. At the point in which the errors were discovered (and subsequently voided), the billed units had already been paid. A contributing factor has been the ongoing changes made to the IS system, and the ability of our internal system to respond and adapt quickly. We are working to address this *systems* problem by cross-checking entries by hand until both systems are stabilized and compatible.

Verdugo Mental Health will continue to strive toward complete compliance with County systems to mirror the quality of care our mission drives us to deliver.

Sincerely,



Lynn Brandstater  
CEO, Verdugo Mental Health